

Sunset Public Hearing Questions for
SOUTHERN DAIRY COMPACT
Created by Section 43-35-101, *Tennessee Code Annotated*
(Sunset termination June 2010)

- 1. Provide a brief introduction to the Southern Dairy Compact, including information about its mission, purpose and duties. Who, in Tennessee, has primary responsibility for execution of provisions of the compact?**

The Dairy Compact is one effort that has been presented in recent history to address the difficulties in pricing milk to reflect regional demand and production. The primary responsibility for execution of dairy compact activity would be placed in a governing body established by the compact organizational structure.

- 2. What other states have entered into the compact with Tennessee? Have any of the 15 states enumerated in Article VIII, Section 20 of the compact as eligible states, not entered into the compact? If so, which ones and what is known of their reasons for not entering into the compact?**

At the time dairy compact authority was being sought, some southern state legislative agendas would have had delayed consideration had a Southeastern compact been probable. According to a request by southern governors in 2001 for Congress to pass Southern Dairy Compact legislation, 14 of the 16 contiguous southern states have passed legislation.

- 3. Was the consent of Congress for the compact obtained as required by Article VIII, Section 20 of the compact? If so, when was consent obtained and in what form? If consent has not been obtained is it expected? If so, when?**

The consent of Congress must be given pursuant to Article 1, Section 10, Clause 3 of the US Constitution. Consent was given for the Northeast Dairy Compact but was not requested by other regions of the country. Under the current activity of the Milk Income Loss Contract (MILC), which are payments authorized within the Farm Bill, a request for Dairy Compact authority is not expected.

- 4. Have any party states withdrawn from the compact or filed notice of their intentions to withdraw under the provisions of Article VIII, Section 21? If so, which states and what were their stated reasons for withdrawing?**

We are unaware of any state asking for withdrawal from state enabling legislation and certainly none asking for withdrawal from the only active compact (Northeast Dairy Compact). There were state additions to the Northeast Dairy Compact after the activity started.

- 5. What is the cost to Tennessee for the state to participate in the compact and what types of expenses are involved?**

Negligible to no expenses will incur. A review of the report required by the compact should take place by a member of the commissioner's staff and the report should be filed for future reference.

- 6. What is the purpose and result of "commission marketing orders" and "compact over-order prices" as used in the compact? How does the use of marketing orders and over-order pricing affect the price paid for milk by the ultimate consumer at the grocery store?**

The purpose of the Compact commission is to take such steps as are necessary to assure the continued viability of dairy farming in the region and to assure consumers of an adequate, local supply of pure and wholesome milk. The initial impact for consumers within a Compact region would likely be a minor increase in retail fluid milk prices but with a comparable decline in processed dairy foods if the retail price were directly related to raw milk price. Over-order premiums can have the potential to narrow the margin for dairy processors; however, the continued growth of milk transported into the region is also detrimental to retail prices and processor margins in the long term.

- 7. Do federal milk marketing orders continue in the compact area? What effect does that have on the activities of the compact? Article II, Section 3(a), indicates the compact supplements, but does not displace, federal orders and state dairy regulation. What effect does that supplemental regulation have on Tennessee and other compact states? If federal programs continue outside of the compact area and the compact's program is in force within the area, how do prices paid to milk producers and shelf prices paid by consumers compare inside and outside the area?**

Federal Milk Marketing orders (FMMO) continue to be the base authority/regulator for milk marketing in regulated areas and state milk commissions in unregulated areas. Dairy compact authority is designed to work in conjunction with federal regulatory activity and would require revision in the absence of FMMO to accomplish income stabilization for area dairy farmers. While there are minimal retail impacts and different marketing conditions between regions created by compact activity, the purpose of preserving local production provides an offsetting impact.

- 8. Article III, Section 6, requires the compact to file an annual report with the Governor, both houses of the General Assembly, and the Commissioner of Agriculture. Article VII, Section 19(a) requires that report to include an annual audit of all of the compact's receipts and disbursements. Have annual reports been filed? If so, please attach a copy of the last report.**

No dairy compact activity has taken place in the Southeast, therefore, no annual reports made. The Northeast Dairy Compact is not currently functioning although historic reports would be available from them.

- 9. Article IV, Section 8, details the powers of the Southern Dairy Compact Commission which administers the compact. Please describe the activities of the compact commission thus far and how those activities are related to the described powers.**

No activities have been performed to date.

- 10. Section 43-35-102, *Tennessee Code Annotated*, provides for the appointment of Tennessee's delegates to the compact. Who are the current delegates and how did their appointment comply with this section of the code? Does the consumer representative or the delegate at large provided for in the statute have any connections to or interest in any aspect of milk production, processing, distribution or sales?**

Appointments of Tennessee delegates to the compact were designed to provide broad representation of interests to milk sales within the region, including representation of consumer, whose interest would be primarily in retail sales.

- 11. Have any rules and regulations been promulgated to carry out the purposes of the compact as authorized in Section 43-35-107, *Tennessee Code Annotated*? If rules have been promulgated, please cite the reference.**

None have been promulgated.

- 12. Describe any items related to the compact that require legislative attention and your proposed legislative changes.**

No legislative attention is anticipated at present.

- 13. Should Tennessee's participation in the compact be continued? To what extent and in what ways would the absence of the compact affect the public health, safety or welfare?**

Tennessee currently holds enabling legislation as do some other states in the region. The current legislation was developed following considerable resources committed to education and encouragement of support based on the merit. If compact activity were initiated in the Southeast and Tennessee were absent of enabling legislation, those efforts, including deliberation by the General Assembly, would need to be repeated in order to prevent Tennessee dairy producers being adversely affected. Dairy production and dairy producers would especially be impacted due to geographical location (within the pricing region) and FMMO authority without benefit of compact pricing. One of the main purposes of the compact would be to create an environment that would lead to dairy producers realizing an economic climate where dairy farming could be sustainable, therefore reducing our dependence on imported milk and relying more on locally produced milk for Tennessee

consumers. Dependence on milk that would be shipped into this region could jeopardize the availability of dairy products to consumers in this state. In extreme cases when transportation of milk would be compromised, public health, safety or welfare may be impacted during such period of time due to the possibility of milk and dairy products not being available to consumers in this region.

14. Please list all compact commission programs or activities that receive federal financial assistance and, therefore are required to comply with Title VI of the Civil Rights Act of 1964. Include the amount of federal funding received by program/activity.

No federal assistance is received.

If the compact commission does receive federal assistance, please answer questions 15 through 22. If the compact commission does not receive federal assistance, proceed directly to question 21.

15. Does your compact commission prepare a Title VI plan? If yes, please provide a copy of the most recent plan.
16. Does your compact commission have a Title VI coordinator? If yes, please provide the Title VI coordinator's name and phone number and a brief description of his/her duties. If not, provide the name and phone number of the person responsible for dealing with Title VI issues.
17. To which state or federal agency (if any) does your compact commission report concerning Title VI? Please describe the information your compact commission submits to the state or federal government and/or provide a copy of the most recent report submitted.
18. Describe your compact commission's actions to ensure that compact commission staff and clients/program participants understand the requirements of Title VI.
19. Describe your compact commission's actions to ensure it is meeting Title VI requirements. Specifically, describe any compact commission monitoring or tracking activities related to Title VI, and how frequently these activities occur.
20. Please describe the compact commission's procedures for handling Title VI complaints. Has your compact commission received any Title VI-related complaints during the past two years? If yes, please describe each complaint, how each complaint was investigated, and how each complaint was resolved (or, if not yet resolved, the complaint's current status).
- 21. Please provide a breakdown of current compact commission staff by title, ethnicity, and gender.**

No staff currently exists.

22. Please list all compact commission contracts, detailing each contractor, the services provided, the amount of the contract, and the ethnicity of the contractor/business owner.

No contract currently exists.